

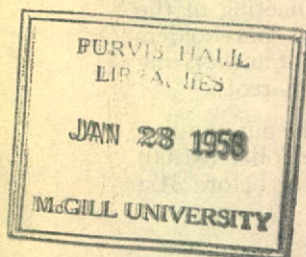
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EASTERN STEEL PRODUCTS, LIMITED

COMPROMISE OR ARRANGEMENT

BETWEEN

EASTERN STEEL PRODUCTS, LIMITED
AND ITS SHAREHOLDERS



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EASTERN STEEL PRODUCTS, LIMITED

(hereinafter called the "Company")

AND ITS SHAREHOLDERS

Under Section 126 of the Companies Act

Dated January 16, 1958.

1. The capital of the Company consists of four hundred thousand (400,000) common shares without nominal or par value of which two hundred and eighty-nine thousand one hundred and fifty (289,150) common shares are issued and outstanding as fully paid, the aggregate consideration for the issuance of which amounts to the sum of nine hundred and ninety thousand six hundred and thirty-eight dollars (\$990,638.00).
2. Upon this Compromise or Arrangement becoming effective:
 - (a) Each of the two hundred and eighty-nine thousand one hundred and fifty (289,150) presently issued and fully paid common shares shall be changed into one (1) issued preferred share of the par value of one dollar (\$1.00);
 - (b) The said preferred shares shall rank in priority to the said common shares and shall have attached thereto and be subject to the following rights, privileges, limitations, restrictions and conditions, namely:
 - (1) The holders of the preferred shares shall be entitled to receive and the Company shall pay to them, as and when declared by the board of directors of the Company out of moneys of the Company properly applicable to the payment of dividends, fixed, cumulative preferential dividends of six cents (6¢) per share per annum and no more, payable in half-yearly instalments on the last days of June and December in each year at par at any branch in Canada of the Company's bankers for the time being (far Northern branches excepted); if on any dividend payment date the Company shall not have paid the said dividends in full on all preferred shares then outstanding, such dividends or the unpaid part thereof shall be paid on a subsequent date or dates in priority to dividends on the common shares or any other shares junior to the preferred shares, and no dividends (other than stock dividends) shall in any fiscal year be declared and paid on or set apart for the common shares or any other shares junior to the preferred shares unless all accrued cumulative dividends on the preferred shares then outstanding shall have been declared and paid or provided for at the date of such declaration and payment or setting apart; dividends on the preferred shares shall not accrue prior to 30th June, 1958;
 - (2) In the event of the liquidation, dissolution or winding up of the Company or other distribution of its assets among its shareholders by way of repayment of capital the holders of the preferred shares shall be entitled to receive, before any distribution shall be made to the holders of the common shares or any other shares junior to the said preferred shares, the sum of one dollar (\$1.00) per share together with an amount equal to all accrued and unpaid dividends thereon (which for such purpose shall be treated as accruing to the date of distribution), whether or not earned or declared, but shall not be entitled to any further participation in the assets of the Company;
 - (3) If and whenever the Company shall fail to pay four (4) half-yearly dividend instalments on the preferred shares, whether consecutive or not and whether or not earned or declared, and so long thereafter as any dividends on the preferred shares remain in arrears, the holders of the preferred shares shall be entitled to notice of and to attend all meetings of shareholders of the Company and to one (1) vote thereat for each share held by them; save as aforesaid, the holders of the preferred shares shall not as such be entitled to attend or vote at any general meeting of the shareholders of the Company or to receive notice of or to attend any meetings of shareholders but shall be entitled to notice of any meeting of shareholders called for the purpose of authorizing the dissolution of the Company or the sale of its undertaking or a substantial part thereof;
 - (4) The Company may redeem at any time the whole or from time to time any part of the outstanding preferred shares on payment for each such share to be redeemed of the sum of one dollar (\$1.00) without any amount in respect of accrued and unpaid dividends if redeemed on or before 31st

March, 1959, and if redeemed thereafter together with an amount in respect of dividends equal to that which the holder of such share would at the time be entitled upon a liquidation of the Company as hereinbefore provided; if at any time some but not all of the preferred shares are to be redeemed, the shares to be redeemed shall be selected as nearly as may be in proportion to the number of shares registered in the name of each shareholder in such manner as the board of directors determines; not less than fifteen (15) days' notice in writing of such redemption shall be given by mailing such notice to the registered holders of the shares to be redeemed unless such notice is waived by such holders; every such notice shall specify the date and place of redemption and, in the case of a partial redemption, the number of the addressee's shares to be redeemed; if notice of any such redemption be given by the Company in the manner aforesaid and an amount sufficient to redeem the shares be deposited on or before the redemption date with any bank or trust company in Canada as specified in the notice of redemption, dividends on the preferred shares to be redeemed shall cease after the date so fixed for redemption and the holders thereof shall have no rights against the Company in respect thereof except, upon surrender of the certificates for such shares at the place of payment specified in the notice of redemption, to receive payment of the redemption price out of the moneys so deposited;

- (5) The Company shall have the right at any time and from time to time to purchase for cancellation preferred shares in the open market at the lowest price at which, in the opinion of the directors, such shares are obtainable but not exceeding the sum of one dollar (\$1.00) per share together with all accrued and unpaid dividends thereon and costs of purchase;
 - (6) The holders of the common shares shall be entitled to one (1) vote for each such share held by them at all general meetings of the shareholders of the Company; and
 - (7) Subject to confirmation by supplementary letters patent the directors of the Company may at any time or times or from time to time pass a by-law or by-laws whereby the terms hereof and of the foregoing paragraphs may be altered, amended or repealed or the application thereof suspended in any particular case and changes made in the rights, privileges, restrictions and qualifications attaching to the said preferred shares, but no such by-law shall have any force or effect until after it has been sanctioned by the vote of the holders of at least two-thirds ($\frac{2}{3}$) in value of the said preferred shares then outstanding and of at least two-thirds ($\frac{2}{3}$) in value of the common shares then outstanding, at a meeting specially called for the purpose.
- (c) The capital stock of the Company as then constituted shall be increased from two hundred and eighty-nine thousand one hundred and fifty (289,150) preferred shares of the par value of one dollar (\$1.00) each and one hundred and ten thousand eight hundred and fifty (110,850) common shares without nominal or par value by the creation of four hundred thousand (400,000) additional common shares without nominal or par value ranking *pari passu* in all respects with the then existing one hundred and ten thousand eight hundred and fifty (110,850) common shares of the capital stock of the Company, provided however, that the aggregate consideration for the issue of the said four hundred thousand (400,000) common shares without nominal or par value shall not exceed in amount or value the sum of five hundred thousand dollars (\$500,000.00) or such greater amount as the board of directors of the Company may deem expedient and as may be authorized by the Secretary of State of Canada on payment of the requisite fees applicable to such greater amount.
3. Upon this Compromise or Arrangement becoming effective the Company shall prepare new preferred and common share certificates having the foregoing rights, privileges, limitations, restrictions and conditions endorsed thereon for exchange for the certificates then outstanding.
 4. The Company may by resolution of its directors assent to any alteration or modification of this Compromise or Arrangement which a judge of the Supreme Court of Ontario designated in that behalf by The Honourable Mr. Justice Laidlaw, the Acting Chief Justice of Ontario, or the shareholders of the Company at a meeting called to consider the same or the Secretary of State of Canada may direct or approve, and wherever the words "Compromise or Arrangement" appear herein they shall be read and construed to mean and include this Compromise or Arrangement as so altered or modified.
 5. This Compromise or Arrangement may be referred to as bearing date the 16th day of January, 1958 and shall become effective and binding upon the Company and all shareholders of the Company upon the issue of supplementary letters patent confirming the same.

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EASTERN STEEL PRODUCTS, LIMITED **In Receivership**

Preliminary Unaudited Condensed Statement of Assets and Liabilities as at 30 November, 1957

ASSETS

Cash in hands of Receiver and Manager	\$ 217,300
Accounts Receivable	946,500
Inventories at lower of cost or market	833,500
Funds in hands of Chartered Trust Company for debenture holders	178,000
Fixed Assets at cost	\$2,134,500
Less accumulated depreciation	<u>1,532,100</u>
	602,400
Total (excluding prepaid expenses and deferred charges)	<u><u>\$2,777,700</u></u>

LIABILITIES

RECEIVER'S LIABILITIES

Accounts Payable	\$ 220,500
Accrued Expenses	<u>66,800</u>
	\$ 287,300

COMPANY'S LIABILITIES

Creditors entitled to priority of payment under the Bankruptcy Act	163,400
Ordinary Creditors—\$100 and under	16,000
—Over \$100 (NOTE)	<u>677,400</u>
	856,800
First Secured Debentures, Series A and B	1,310,000
Interest accrued to November 30, 1957	<u>34,600</u>
	1,344,600
Total	<u><u>\$2,488,700</u></u>

NOTE: The figure for Ordinary Creditors includes \$20,000 for claims not admitted by the Company.

No provision has been made for legal fees and other expenses incurred by the Company as opposed to the Receiver and Manager since August 28, 1957.

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